



# Doing business in Denmark

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# Introduction

The purpose of this publication is to give an introduction to those considering conducting business in Denmark, either by establishing a company or a branch or in other ways.

Our intention is to provide a description of the business environment and the main aspects of the legal framework of Danish business life. For readers actually planning to

set up a new business in Denmark, we recommend further professional assistance.

The information presented in this publication was assembled by Revitax A/S.

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# Business forms

**Business can be conducted through companies, by partnerships or by individuals acting as sole traders.**

The business of sole traders and partnerships is not distinct from the personal affairs of the proprietor(s). The proprietor has unlimited liability for the debts of his business.

A company – the most common form being a public or private limited company – is a distinct legal entity established to separate its business affairs from the personal affairs of its proprietors.

A company can only cease to exist when it is wound up following legal framework. This means that a company





can carry on as long as there are individuals appointed to act on its behalf despite e.g. the death or retirement of an individual.

Investors are free to choose their preferred form of entity. However, to set up branch operations most non-EU/EEA residents must have permission (based on a declaration of reciprocity) by the Danish Business Authority.

Most foreign investors prefer to set up a new business under one of the following types of companies, as they are regulated by law:

- Public limited companies (Aktieselskab, abbreviated: A/S).
- Private limited companies (Anpartsselskab, abbreviated: ApS).
- Branches (of foreign limited companies).

Therefore, other ways of establishing a business will not be dealt with here.

However, it is also possible to establish a SE company (European Company) and a SCE (European Co-operative Company) in Denmark.

The Danish Business Authority charges a duty for registering a company.

### **Public limited companies (Aktieselskaber)**

The liability of each shareholder is limited to the amount of shares subscribed (irrespective of them being fully paid up or not) or alternatively the purchase price of the shares acquired.

A public limited company must have a share capital of a nominal value of at least DKK 500,000. Only 25 % or DKK 125,000 of the initial share must be fully paid up before registration when the capital is injected in cash. The capital may also be injected in other assets.

Foreign individuals and companies are allowed to own a Danish company by 100 %.

If the equity of a company represents less than 50 % of the subscribed capital, an account of the financial situation and measures to be taken must be given to the shareholders at a general meeting.

### **The management**

The management may consist of either a board of directors (a minimum of 3 persons) and the managing director(s) (a minimum of 1 person), or a board of managing directors supervised by a supervisory board (a minimum of 3 persons).

The board of directors is elected by the shareholders at the annual general meeting and its primary task is to ascertain a sound organisation and to set out guidelines for the managing director.

If the company employs more than 35 persons for 3 consecutive years, the employees are entitled to be represented on the board of directors or on the supervisory board.

The board of directors appoints the managing director. The managing director's primary task is the day-to-day management of the company.

### **Statutory publication**

The following details of the company must be filed with the Danish Business Authority, where part of the information is publicly available, e.g.:

- Denomination of the share capital.
- Names and addresses of the founders of the company.
- Names and addresses of the members of the board of directors and the managing director(s).
- Articles of association.
- The annual report.

As of 1 July 2016, shareholders are registered in a register at the Danish Business Authority. However, only share-

holdings of at least 5 % of the capital or votes are publicly available.

### **Private limited companies (Anpartsselskaber)**

In general, private limited companies are regulated by the same laws as described above for public limited companies.

The main differences are:

- A minimum share capital of DKK 50,000 is required. The initial share capital must be fully paid up before registration.
- The management may consist of either a board of managing directors, or a board of directors and the managing director(s), or a board of managing directors supervised by a supervisory board.
- A board of directors or a supervisory board is only required if the company employs more than 35 persons for 3 consecutive years. If so, the employees are entitled to be represented on the board of directors or on the supervisory board.

Entrepreneurs may register an IVS (Iværksætterselskab) with less than DKK 50,000 in share capital. It is required that the capital is injected in cash (at least DKK 1). The IVS is regulated by the same laws as described for private limited companies, however 25 % of the annual net profit must be transferred to the company's capital reserves until reaching DKK 50,000 and dividend cannot be distributed, before the share capital and the capital reserves amount to DKK 50,000 in total.

### **Branches (of foreign limited companies)**

Foreign limited companies can carry out activities through a branch in Denmark.

A branch must be registered with the Danish Business Authority, and it must be certified that the foreign company is registered in accordance with the legislation of its home country.

A branch in Denmark acts under Danish law. The name of a branch must show its status as a branch of a foreign limited company and its nationality. The branch must be managed by a branch manager.

Each year the annual report of the foreign company must be filed with the Danish Business Authority, where the report is publicly available.

### **Representation offices**

Establishment through a representation office is an option, if the activities are limited to being of an "auxiliary and preparatory nature". Such activities cannot include any kind of sales activities, nor power to enter into binding contracts on sales on behalf of a non-resident company.

The activities included in the definition of a representation office could be the gathering of information for the foreign company or maintenance of a showroom. However, in case of maintaining a showroom, no individual in the representation office can have the authority to enter into contracts.

The foreign company must register the activities of the representation office with the Danish Business Authority and point out a representative in Denmark. The representative must sign a declaration confirming that he or she is the representative of the foreign company.

### **MS entity**

In a pilot period (ending ultimo 2017), a Danish A/S or ApS and its employees can establish an MS (medarbejderinvesteringsselskab). For legal purposes, it is a partnership on co-ownership regulated by specific rules. For tax purposes, it is a company. Each employee can invest a maximum of DKK 30,000 of their salary in the MS annually for max 5 years.

# Accounting requirements

**The board of directors and the managing director are responsible for the maintenance of sound accounting records and for the preparation of annual reports, covering each financial reference period.**

The management report prepared by the board of directors and the auditors' report are integrated parts of the annual report.

The annual report must be approved by the shareholders at the company's annual general meeting.

The annual report must be filed with the Danish Business Authority without undue delay after the approval at the general meeting and no later than five months after the end of the financial year. Governmental and listed companies must file the report no later than four months after the end of the financial year.

## Form and contents of the annual report

The disclosure requirements and the form and contents of the annual report are set out in the Danish Financial Statements Act. In addition, the annual report must comply with Danish accounting standards. If a company is listed, the annual report must comply with the International Accounting Standards (IAS) and the International Financial Report-

ing Standards (IFRS). Non-listed companies may choose to comply with IAS and IFRS as well.

The Danish Financial Statements Act follows Accounting Directive 2013/34/EU which repeals the EU 4th and 7th Accounting Directives.

According to the Act, a listed company must prepare an annual report consisting, as a minimum, of:

- A statement by the board of directors and the management on the annual report.
- A balance sheet.
- A profit and loss account.
- A cash-flow statement.
- Disclosures, including disclosure of accounting policies.
- A statement of changes in equity as well as a management report.
- An auditors' report.

Small and medium-sized companies may be exempt from some of the disclosures. Such companies are free to choose an "extended review" as well (which is a review with four extra obligatory actions). Micro companies as adopted in the 2012/6/EU Directive may be exempt from some of the disclosures as well.



# Audit requirements

**All limited companies must be audited by an independent auditor (in certain cases very small companies may be exempted). The auditor is appointed by the shareholders at the general meeting.**

During the year the auditor reports to the board of directors. In addition, the auditor provides the shareholders with an auditors' report, which is an integrated part of the annual report.

The auditors' report must state whether the annual report complies with the disclosure requirements of the Danish

Financial Statements Act and whether it gives a "true and fair view" of the company's state of affairs at the balance sheet date as well as of the profit or loss in the financial period.

Auditors must comply with the auditing standards published by the Danish Institute of State Authorised Public Accountants and Registered Accountants (FSR-Danske revisorer), which is a member of the International Federation of Accountants (IFAC). Hence, audit must be performed in accordance with the International Standards on Auditing (ISA).





# Bookkeeping requirements

## **When doing business in Denmark, bookkeeping must be made in accordance with the Danish Bookkeeping Act:**

Under the Danish Bookkeeping Act, bookkeeping material must be saved for a period of five years.

Hard copy accounting records must in general be stored in Denmark. The records must be stored in such a way that they may easily be made available to Danish public authorities entitled to claim insight into the accounting records according to other legislation.

However, the Danish Business Authority may permit the accounting records to be stored in another Nordic country, if the storage complies with the Bookkeeping Act and provided the company can procure the records at any time.

Storage outside the Nordic countries is only possible with respect to storage of accounting records for the current and previous month and with respect to storage of accounting records relating to foreign activities.

Electronic accounting records can be stored abroad, i.e. on a server located abroad, if they are stored in such a way that they may easily be made available to Danish public authorities entitled to claim insight into the accounting records according to other legislation. It is further required that the storage complies with the Bookkeeping Act's requirement for:

- e.g. registration, documentation and storage period, and
- procurement of the records at any time and on-line access to the records in Denmark, and
- storage of all descriptions of the system applied etc. and necessary codes etc. in Denmark, and
- ensuring that the accounting records can be printed in hard copy (paper or micro film in a readable form) or be made available in other recognized file format.

If the accounting records contain personal data, the processing of such data must comply with the rules of the Personal Data Act.



# Establishment

**A foreign investor planning to set up a subsidiary in Denmark may either form a new company or purchase the shares in an existing company (“shelf” company).**

## **Establishment procedures**

A memorandum of association must be prepared and signed by the founders. The memorandum of association



must contain draft articles of association, including the following information:

- Name of the company.
- Objective of the company.
- Share capital.
- Share capital rights.
- Management body.
- Annual general meeting.
- Financial year.

Furthermore, the memorandum of association must provide information such as the names and addresses of the founders, the share subscription price, the deadlines for subscription and for payment of subscribed capital.

The final decision to found the company may be made at the shareholders' first meeting. If so, the shareholders elect the members of the board of directors and appoint the auditor when the resolution to found the company has been passed.

The board of directors is obliged to register the company with the Danish Business Authority within 2 weeks as from the signing of the memorandum of association.

A company in the process of incorporation – e.g. a company which has not yet been registered – is not considered an independent entity. Therefore, the founders are liable for the activities of the company.

Upon registration the company takes over all liabilities, including the liabilities related to activities carried out between the date of founding and the date of registration.

#### **Purchase of shares in a shelf company**

Several law firms own registered companies which have not yet carried out any business, i.e. shelf companies.

Immediately after the acquisition, an extraordinary shareholders' meeting must be held in order to vote for the necessary changes to the articles of association, to elect

new members for the board of directors, and to appoint the auditor. The articles of association must be changed in respect of the name, the objectives and frequently also the financial year. The changes adopted at the shareholders' meeting must be registered with the Danish Business Authority.

As of 1 July 2016, the registration must be made on-line in the Danish Business Authority's digital registration system (only MS entities are exempted).

#### **Registered branch office**

A registered branch office of a foreign company is entitled to carry out any business activity included in the objectives of the foreign company. The foreign company must register the branch office with the Danish Business Authority. As of 1 July 2016, the registration must be made on-line in the Danish Business Authority's digital registration system.

If the foreign company's home country is within the EU/EEA, the following documents must be submitted:

- A certification on the legal existence of the foreign company in its home country.
- A certified power of attorney to a branch manager.
- Documentation with respect to the person authorised to sign for the foreign company (e.g. passport number).

If the foreign company's home country is outside the EU/EEA, the following documents may also be required:

- A copy of the foreign company's articles of association.
- A copy of the foreign company's incorporation certificate.

Further, a statement from the relevant foreign authority in question confirming that a Danish company can register a branch in the foreign country (most countries outside the EU/EEA, but there are a few exemptions).

### Choice of business form

Commercial considerations should be of overall importance in the investor's choice of business form in which a particular activity should be organised.

However, some of the more essential tax aspects as well as other important factors are briefly listed below.

	Subsidiary	Branch	Representation office
Establishment	+ Can be bought readily incorporated and the shares can be owned irrespective of the nationality of the shareholders.	÷ May not be available to companies resident in certain countries.	+ Only a few formal establishment procedures. ÷ The scope of activities possible is rather limited and it cannot engage in sales activities or conclusion of contracts.
Annual report	+/- Must prepare and file audited annual report.	+/- Must file the audited annual report of the head office.	+ Annual report is not required.
Changes in structure	÷ Additional formal requirements in respect of e.g. changes in capital, capital requirements, winding-up, etc.	+/- Easy to close down, but may result in taxation on capital gains, as assets are considered sold/transferred or if the branch is converted into a subsidiary later on (exception possible for branches of SE companies).	+ Easy to close down.
Liability	+ Liability limited to the subscribed capital.	÷ Head office and branch manager are fully liable for the activities/liabilities of the branch.	÷ Head office is fully liable for the activities/liabilities of the representation office.
Cross border	+ Can be used for cross border activities, e.g. holding company and R&D company.	÷ Cannot be used for cross border activities.	÷ Cannot be used for cross border activities.
Dividends	+ No withholding tax on distribution of profit to corporate 10 % shareholder or group company within the EU/EEA/ a tax treaty country.  + Possible to distribute interim dividend if provided for in the articles of association.	+ No withholding tax on payments of profits to the head office.	Not applicable – no profit to be distributed.
Transfer pricing	+/- Must comply with transfer pricing regulation similar to OECD guidelines.	+/- Must comply with transfer pricing regulation similar to OECD guidelines.	+ Not taxable in Denmark.



# Corporation Taxation

## Tax rate

Taxable income – including capital gains – is subject to a corporate tax of 22 %. The tax rate is identical for public limited companies, private limited companies and branches.

## Company residence and territoriality

### Unlimited tax liability

Generally, a company resident in Denmark is subject to corporate tax on its income and gains from Danish territory.

A company is resident in Denmark for tax purposes if it is incorporated in Denmark and its effective management is situated within the country, or if it is incorporated abroad and its effective management is in Denmark. Effective management is determined on the basis of the place of the day-to-day business decision making.

Danish anti-avoidance tax rules may reclassify a Danish incorporated group company as a permanent establishment of a foreign company if considered a transparent entity under foreign tax rules.

### Limited tax liability

Foreign companies can be subject to limited tax liability either through a branch or a permanent establishment or through withholding taxes on certain types of Danish source income.

Due to Danish anti-avoidance tax rules, a branch may be reclassified as a company if considered a company under foreign tax rules. Further, a permanent establishment of a foreign group company may be reclassified as a permanent establishment of another foreign group company, if the foreign group company is considered a transparent entity under foreign tax rules.

### Permanent establishment

Non-resident companies conducting business in Denmark through a permanent establishment (e.g. a branch) are subject to tax on all income attributable to or received by the establishment.

In addition, non-resident companies are subject to tax on income from real property in Denmark.

Non-resident companies are obliged to file a Danish tax return to declare such income.

## Danish income subject to withholding tax

Certain types of payments to non-residents are subject to Danish withholding tax, which may be reduced according to a tax treaty or an EU Directive.

### Dividends

Dividends from Danish companies can be distributed without withholding tax provided that:

- a) The foreign company qualifies as a company under Danish rules and
- b) the foreign company is the "rightful owner" and
- c) the foreign company directly owns at least 10 % or more of the Danish company and
- d) the distribution of dividend to the foreign company is protected by either the EU Parent/Subsidiary Directive or by one of Denmark's tax treaties.

The exemption also applies to foreign participants in entities considered as transparent entities under Danish tax rules but being included in the list to the EU Parent/Subsidiary Directive – but only if the foreign participants are not tax residents in Denmark.

### or if

- a) the foreign company qualifies as a company under Danish rules and
- b) the foreign company is the "rightful owner" and
- c) the foreign company has decisive influence directly or indirectly (e.g. more than 50 % of the votes) in the Danish company and
- d) the foreign company is resident in an EU/EEA member state and
- e) the distribution would be protected either under the EU Directive or the relevant tax treaty had there been an ownership of at least 10 %.



The above exemption only applies if the Danish distributing company is not considered as a "flow-through entity" for Danish tax purposes. In a "flow-through entity" situation the exemption only applies if the receiving entity is protected by the EU Parent/Subsidiary Directive.

Otherwise, the withholding tax rate in the relevant tax treaty applies.

If no tax treaty exists, Denmark withholds 22 % (if the distribution is made 1 January 2016 or later and the receiving company is tax resident within the EU/EAA. For receiving companies in other countries, the 22 % rate applies on distributions made on 1 July 2016 and onwards). However, the Danish 22 % rate is reduced to 15 % under the domestic tax rules if the foreign company holds less than 10 % of the Danish company and the tax authorities in the state of the foreign company exchange information with the Danish tax authorities under the relevant tax treaty or according to an administrative tax assistance agreement. If the receiving company is tax resident outside the EU, the ownership percentage is calculated on an aggregated group company basis.

The exemptions require that the Danish company can certify that the foreign company meets the conditions prior to the payment of the dividend. If not, the Danish company must withhold tax on the dividend at a rate of 27 % (subject to treaty relief) and subsequently reclaim the withholding tax from the Danish tax authorities.

Further, it should be noted that Danish anti-avoidance rules may reclassify a capital gain on shares as a dividend distribution subject to Danish withholding tax when a Danish company is liquidated – or at an intercompany sale of shares.

#### Royalties

According to Danish tax law withholding tax must be paid on all royalties for the use or the right to use patents, trademarks, designs or models, plans, secret formulas or processes, or information concerning industrial, commer-

cial or scientific processes. Payments for the purchase of underlying intangible assets are generally not subject to withholding tax. However, payments for access to know-how may be deemed subject to withholding tax.

The withholding tax rate on royalties is 22 % subject to treaty relief.

Royalty payments to a receiving associated company in another EU member state are exempt from Danish withholding tax if the requirements under the EU Interest/Royalty Directive are met.

Royalty payments for the use of any copyright to literary or artistic work are not subject to Danish withholding tax.

#### Interest

Generally, Denmark does not levy withholding tax on interest payments to non-residents.

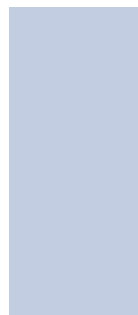
Only interest payments from a controlled Danish company (more than 50 % of shares or votes) made to non-resident companies are subject to Danish withholding tax. The withholding tax rate is 22 %.

The Danish withholding tax does not apply to interest payments on controlled debt to a foreign company protected by either a tax treaty or the EU Interest/ Royalty Directive - and further exemptions with respect hereto are available.

Denmark has General Anti-Avoidance Rules (GAAR) covering transactions under the EU tax directives and the Danish tax treaties respectively. Consequently, the above Danish domestic withholding tax rates may apply to outbound payments of dividends, royalties and interests in cases of avoidance pursuant to the GAAR.

#### Tax losses

Tax losses incurred in 2002 and later may be carried forward indefinitely. Carry back of tax losses is not possible. Reporting requirements must be complied with. Otherwise, the tax losses are forfeited.



For income years beginning 1 July 2012 or later, tax loss carry forwards up to DKK 7,852,500 (2016) can be set off in an income year. Further tax loss carry forwards can only reduce the remaining taxable income with up to 60 %. Any part of the tax loss carry forwards in excess thereof must be set off in a subsequent income year.

Certain restrictions exist on the sale of a company with tax losses. The restrictions intend to prevent interest income and other passive financial income to be offset by tax losses carried forward.

The restrictions apply if, at the end of the income year, more than 50 % of the share capital or more than 50 % of the votes are owned by shareholders different from the shareholders at the beginning of the previous income year, in which the tax loss incurred. Further, if a company does not have any financial risks in respect of commercial activities at the time of the change of ownership tax losses are forfeited. The rules do not prevent a tax loss company from changing its activities or type of business. The rule also applies to foreign companies with a Danish permanent establishment.

Special rules apply for group companies (25 % holding of shares). A subsidiary's tax loss carry forward may be restricted if a change of ownership takes place in the parent company.

These rules also apply to group companies reclassified as permanent establishments of foreign companies as mentioned under "Company residence and territoriality".

The restrictions do not apply to listed companies.

In certain cases a tax loss carry forward may also be restricted or forfeited in connection with a capital reconstruction.

#### **CFC taxation (taxation of Controlled Financial Companies)**

A company is subject to CFC taxation on profits from Danish or foreign subsidiaries in the following situation:

- a) The company is a direct or indirect shareholder in the foreign or Danish company, and
- b) has controlling influence (directly or indirectly based on votes, shareholders agreement etc.) in the foreign or Danish company, and
- c) the business of the foreign or Danish company is considered financial (more than 50 % of total taxable income consists of taxable financial income), and
- d) the financial assets of the company exceed 10 % of the total assets of the company.

The consequence of CFC taxation is that the controlling company is taxable on its (average) direct or indirect pro rata share of the total income of the Danish or foreign company, irrespective of the rules in a tax treaty, if any.

The rule also applies to foreign permanent establishments of a Danish company, if it would have been comprised by the CFC taxation had it been a company.

#### **Filing a tax return**

Corporate tax returns must be filed annually, no later than 6 months after the end of the income year. The final tax assessment is normally issued at the end of October or at the beginning of November.

#### **Payment and collection**

Corporate tax is paid on account in two equal instalments, in March and in November. The instalments are due on March 20 and November 20.

The tax paid on account is collected automatically and calculated on the basis of 50 % of the average corporate tax paid during the last three years.

Special rules apply for companies which did not pay or were not subject to corporate tax in the previous three years.

Companies may voluntarily pay additional on-account tax. Such payments must be made no later than March 20 and November 20 of the income year (voluntary on-account tax

exceeding the 20 November payment may be paid in until 1 February in the following calendar year].

#### **Tax audits**

Tax audits of companies are not performed on a regular basis. However, the tax authorities perform tax audits on a number of companies and branches every year.

Further, areas targeted for special initiatives are made public annually.

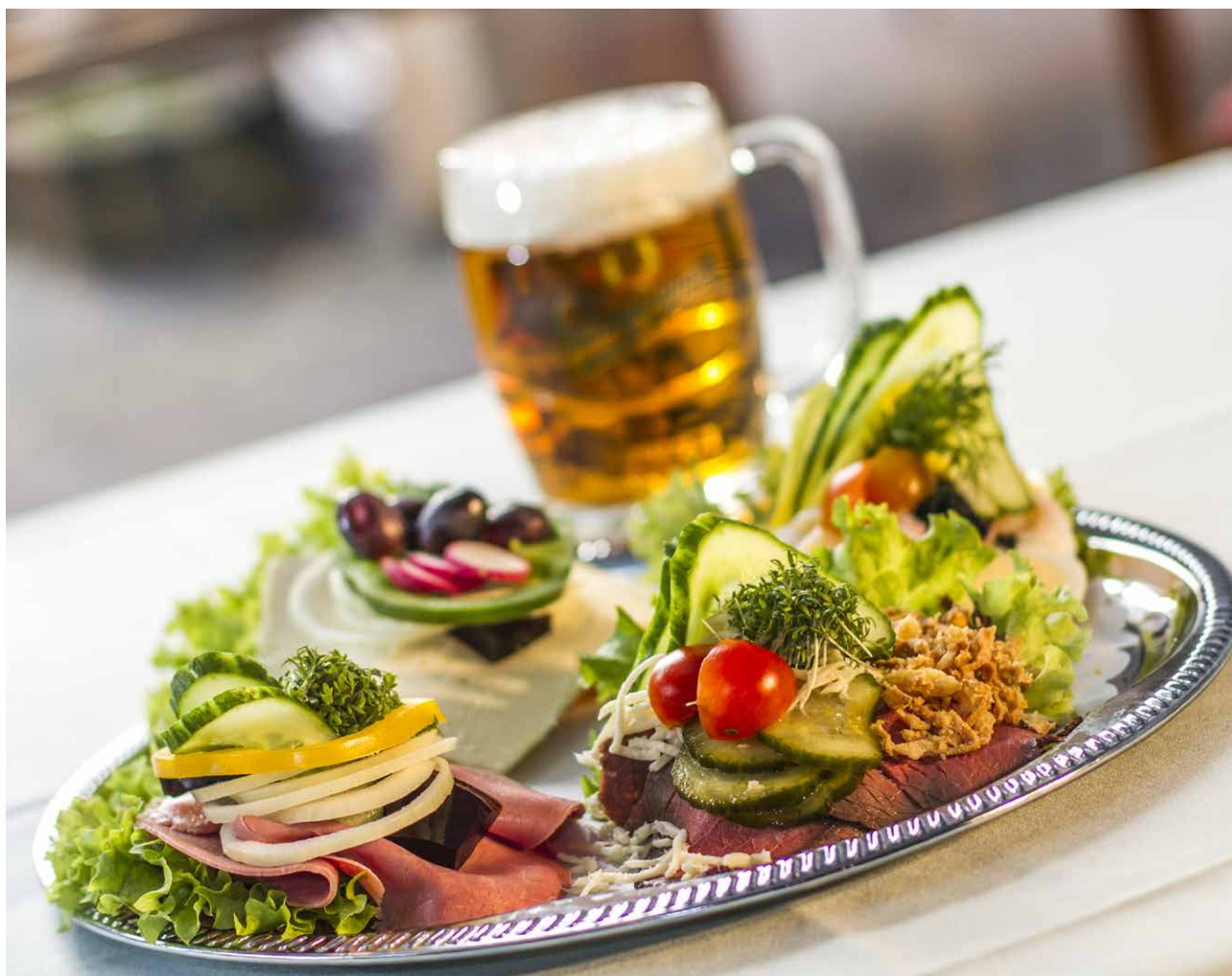
#### **Penalties**

A penalty is payable for late filing of a tax return. Further, a floating penalty interest of 0.8 % per month (2016) on overdue corporate tax is charged on the outstanding balance.

Such interest charges and fines are not deductible for tax purposes.

#### **Statute of limitations**

The statute of limitations is three years and four months. As to transfer pricing adjustments, the statute of limitations is extended to five years and four months. This is also the case with respect to certain tax exempt restructures.



# Calculation of the taxable income

## General comments

The taxable income is determined on the basis of the result shown in the statutory annual report adjusted to comply with the prevailing tax provisions.

Tax accounts generally determine costs and income when legally incurred. The accruals principle is acceptable in certain situations.

Usually there are adjustments between the profit for accounting purposes and the income for tax purposes. Some of the most common adjustments include non-taxable income, non deductible expenses, depreciation, provisions for bad debts or obsolescence, and provisions made for guarantee purposes.

The tax provisions listed below are those most commonly applied when determining the taxable income of a company or a registered branch office. There are specific provisions for companies engaged in certain business areas such as banking, insurance, investment funds, and the oil and gas industry. These particular provisions are not dealt with in this publication.

## Stock valuation

Stock and work in progress may – for tax purposes – be stated at the market/replacement cost, at cost based on the FIFO principle or at production cost. The base stock and LIFO methods are not accepted. For each group of stock items the company may select one of the three methods of pricing. Slow moving and obsolete stocks can be depreciated to the net realisable value on an individual item basis or according to guidelines approved by the Danish tax authorities. Provisions for future losses and general provisions are not considered deductible against taxable income.

Costs must include direct costs, e.g. freight, duty, etc. It is possible – but not a requirement – to include overheads.

## Dividend income

Dividends received by a Danish company – or by a Danish permanent establishment of a foreign company tax resi-

dent within EU/EEA/a tax treaty country – from Danish or foreign companies are tax-free as of day one, if either

- a) The receiving company owns at least 10 % of the distributing company, and
- b) the distributing company is comprised by taxation rules and taxed on its net income respectively in its country of tax residency, and
- c) the tax authorities in its country of tax residence exchange information with the Danish tax authorities under a tax treaty/an international agreement/an administrative tax assistance agreement, and
- d) the distribution cannot be deducted for tax purposes by the distributing company, and
- e) the distribution cannot be deducted for tax purposes by any underlying company without subsequent taxation in a receiving company if further, withholding tax at re-distribution is not protected under the EU Parent/Subsidiary Directive,

## or if

- a) the receiving company has decisive influence in the distributing company (due to votes, shareholder agreement, etc.) whereby the companies may either be subject to compulsory Danish joint taxation or could participate in a voluntary Danish international joint taxation, and
- b) the distribution cannot be deducted for tax purposes by the distributing company and
- c) the distribution cannot be deducted for tax purposes by any underlying company without subsequent taxation in a receiving company if further, withholding tax at re-distribution is not protected under the EU Parent/Subsidiary Directive.

A transparency rule applies when determining the qualification of the shares.

The rule also applies to dividend receiving companies considered transparent under the Danish anti-avoidance tax rules mentioned above under "Company residence and territoriality".

Due to General Anti-Avoidance Rules (GAAR) covering transactions under the EU Parent/Subsidiary Directive and the Danish tax treaties, the above tax exemption for inbound dividends may be denied in cases of avoidance pursuant to the GAAR.

Otherwise, dividends are taxable at the corporate tax rate of 22 %. If the shares in the distributing company qualifies as portfolio shares in an unlisted company, only 70 % of the dividend distribution is subject to the 22 % taxation, provided the distributing company cannot deduct the distribution for tax purposes.

### Capital gains and losses

Capital gains and losses are normally treated as taxable income. Such gains and losses are computed in accordance with specific rules. Taxable net gains are included in the ordinary income of the company for each financial period and are subject to corporate tax at the ordinary tax rate of 22 %.

In addition to the taxation of the selected assets described below there is also a highly complex set of rules applicable to the taxation of gains and losses on financial instruments, such as bonds, securities, forward contracts, futures and options.

These rules are not described here. The overall principle for the general taxation of such areas is the mark-to-market principle.

### Shares

#### Gains

Listed portfolio shares are subject to taxation on the mark-to-market principle (compulsory), whereby increases in value are taxed annually. Other shares may only be taxed when a gain is realised unless the mark-to-

market principle is chosen. The corporate tax rate of 22 % applies.

Capital gains on unquoted portfolio shares may be tax exempt.

A capital gain on shares in qualifying companies is tax exempt if dealing with:

- a) At least 10 % ownership in a company resident in Denmark or in a foreign company qualifying as a company under Danish rules and comprised by taxation rules and taxed on its net income in its country of tax residency, provided the tax authorities in its country of tax residence exchange information with the Danish tax authorities under a tax treaty/an international agreement/an administrative tax assistance agreement, or
- b) shareholding in group companies (decisive influence whereby the companies may either be subject to compulsory Danish joint taxation or could participate in a voluntary Danish international joint taxation).

A transparency rule applies when determining the qualification of the shares.

Danish anti-avoidance tax rules may reclassify tax exempt gains as taxable dividend distributions in certain intercompany share transfers.

Further, General Anti-Avoidance Rules (GAAR) covering the EU Parent/Subsidiary Directive and the Danish tax treaties may overrule the tax exemption in cases of avoidance pursuant to the GAAR.

#### Losses

If dealing with portfolio shares subject to the mark-to-market principle, losses can be deducted in the company's taxable income.

If a gain on unquoted portfolio shares or on the shares in a qualifying company is tax exempt, a loss on such shares is not tax-deductible.





## Real property

### Gains

Capital gains from the sale of real property are tax-liable.

When determining a gain, a five-step procedure must be followed:

1. The purchase price and the sales price of the real property are adjusted to cash values.
2. The total amount of tax depreciation and write-offs during the ownership period is calculated.
3. Tax depreciation is recaptured as the lower of (a) sales price less written off value and (b) accumulated depreciation.
4. Depreciation, losses or write-offs, which have not been recaptured, reduce the purchase price when calculating the taxable gain on the property.
5. The taxable gain is reduced, depending on the period of ownership.

A capital gain is taxed at the corporate tax rate of 22 %.

However, roll-over relief is available, if a new property is acquired for the use of the business prior to the end of the year following the year of disposal.

### Losses

Losses from the sale of real property are only tax-deductible, if the primary object of the company is to trade real property. Yet, losses can be carried forward indefinitely (unless incurred prior to 2002).

If a property is tax-depreciable, the difference between the written-down value and the sales price is tax-deductible. However, this loss reduces the purchase price when calculating the capital gain. Please see above.

### Machinery and equipment

The proceeds from the sale of machinery and equipment are deducted from the depreciation pool.

The concept of the depreciation pool is described in the following under "Depreciation". If the depreciation pool becomes negative after the deduction of sales proceeds, this negative amount may be recognised in the same year or deferred to the next year, except if subsequent purchases in that year exceed the negative amount.

### Goodwill

Capital gains from the sale of goodwill are tax-liable and losses are tax-deductible. Gains and losses must be restated at cash values. Profits and losses arising from the sale of goodwill are calculated as the difference between the cash value of sales proceeds and the written-down value for tax purposes.

### Know-how, patents and trademarks, etc.

Gains and losses relating to the disposal of know-how, patents and trademarks, etc. are taxable.

Gains and losses must be restated at cash values.

Profits and losses arising from the sale of such intangible assets are calculated as the difference between the cash value of sales proceeds and the written-down value for tax purposes.

### Gains and losses from currency exchange adjustments

Gains from currency exchange adjustments are taxable and losses are deductible. Companies may choose to include gains and losses in the taxable income on a mark-to-market principle if the mark-to-market principle is also chosen for receivables between group companies or payments received for goods and services delivered.

### Deductions

#### Business expenses

Generally, expenses are deductible if incurred in order to "obtain, secure and maintain" the income.

### Capital expenditure

Generally, capital expenditure is not deductible, except for minor acquisitions at a purchase price of less than DKK 12,900 (2016).

Alternatively, this expenditure can be capitalised and depreciated using the general rules.

### Formation costs

Formation costs are no longer tax-deductible or amortisable.

### Research and development costs

R & D costs within most areas are either tax-deductible or tax-depreciable if a few requirements are met. Further, an

annual tax refund – a maximum of DKK 5,500,000 – equivalent to the tax value of R & D losses up to DKK 25 million – may be granted by the Danish tax authorities (on request). If so, the corresponding tax loss cannot be carried forward to subsequent years.

### Computer software

The costs of computer software can be fully deducted in the year of acquisition.

### Entertainment expenses

Only 25 % of entertainment expenses are tax-deductible. The definition of entertainment expenses is very broad and includes gifts to customers and others.



The rules do not apply to expenses related to the employees of the company. Such expenses are fully tax-deductible.

Advertising costs are also fully tax-deductible.

#### Provisions for bad debts

Recognised losses on accounts receivable are deductible.

Provisions for bad debts are deductible to the extent that the final losses on specified debtors can be substantiated.

#### Depreciation

Tax depreciation is calculated according to the below rules, irrespective of the method applied for accounting purposes.

#### Machinery and equipment

Machinery and equipment may include aircrafts, motor vehicles, passenger cars, office machines, and office equipment.

Most machinery and equipment is included in one single depreciation balance and are depreciated as a single asset pool up to 25 % a year (declining balance method).

However, brand new machinery (a part from passenger cars and ships) bought in the period 30 May 2012 – 31 December 2013 may be depreciated at a rate of 115 % (on a separate balance).

Operating equipment with a long economic life, i.e. certain ships, aircrafts, trains, drilling rigs and other plants within the hydrocarbon area and some utility plants are depreciated on a separate balance. The depreciation rate is 15 % in 2016.

Utility distribution plants, railroad tracks and radio, television and telecommunication distribution plants are depreciated at a maximum rate of 7 %.

The depreciation basis at the end of a given year is calculated as follows:

#### Balance brought forward

- ÷ Sales proceeds during the year
- + Balance transferred from leasing assets
- + Cost price of the assets acquired during the year
- = **Basis for calculation of depreciation**

Specific rules apply to leased machinery and equipment.

#### Machinery and equipment used for leasing purposes

Leased machinery and equipment cannot be depreciated in the year of acquisition.

Instead, the balance is brought forward to the next year to be depreciated by 50 %. In the third year, the balance is transferred to the ordinary balance of machinery and equipment.

#### Buildings

Buildings can be depreciated on an individual basis using a straight line method with an annual depreciation rate of 4 %.

In general, buildings used for commercial purposes – except office buildings and residential property – are tax-depreciable.

In certain cases an office building attached to a depreciable building may be depreciated.

Under certain conditions artistic adornment may be depreciated according to the same rules as apply to the adorned building.

Expenses for rebuilding and improvement are deductible, if the annual expenses for rebuilding, improvement and maintenance do not exceed 5 % of the depreciation basis at the beginning of the year.

Losses on depreciable buildings are deductible, yet losses reduce the taxable purchase price of the building when calculating the capital gain.

### Amortisation of intangible assets

Intangible assets are generally amortised over seven years. An annual amortisation, which is not utilised is not forfeited. Amortisation is made on a straight line basis and is determined on a cash basis. The amortisation principles vary for the different types of intangible assets.

#### Goodwill

Goodwill acquired in 1998 or later can be amortised over seven years.

#### Know-how, patents and copyrights

Basically, know-how, patents and copyrights can be amortised over seven years. Specific rules apply, if the protection time of the intangible asset is shorter than seven years. Alternatively, know-how and patents are fully tax-deductible in the year of acquisition according to the owner's own choice.

#### Leasehold improvements

Leasehold improvements can be amortised over the period of the rental contract. However, the annual amortisation cannot exceed 20 %. Specific rules apply, if the period of the rental contract is unknown.

#### Intercompany transactions

Payments made from Denmark to abroad for goods and services are normally deductible for tax purposes provided that they are charged on "arm's length" conditions. Expenses charged from a foreign head office to a Danish branch are generally not recognised for tax purposes. Instead, the Danish branch can deduct a proportional amount of the general and administrative expenses of the head office.

#### Management charges, etc.

Payments of management charges to foreign companies for e.g. centralised research and development, advertising, IT and other management services, are generally deductible for tax purposes provided that the charges are determined on "arm's length" conditions. Part of the management charges may be subject to withholding tax as

royalties, if the charges include payments for the right to use technical know-how, etc.

Management charges must be supported by detailed contracts in written with enclosure of the underlying documentation, including the calculation of such charges.

#### Shareholder loans

Danish taxation may apply to shareholder loans granted to individuals on 14 August 2012 or later. If so, the loan is reclassified as either a taxable salary or a dividend distribution up front when paid. The notion "shareholder loan" also comprises collateral and other dispositions.

#### Intercompany loans

Companies will only be affected by thin capitalisation rules, if the equity makes up less than 20 % of the balance sheet amount at the end of the income year and the controlled debt exceeds DKK 10 million.

Third party debt is comprised by the rules, if the third party has received guarantees, etc. (directly or indirectly) from a group company. The non-deductible part of the interest expenses is the part of the controlled debt, which should be converted into equity in order to meet the debt-to-equity rate of 4:1 (a minimum of 20 % equity).

The limitation will not apply if up-front the company can prove that a similar financing can be obtained with an independent party. In that case, the solvency ratio in the line of business in question will be taken into consideration.

A loss on intercompany accounts receivable is non-deductible except for documented trading losses and losses due to currency fluctuations.

As of 14 August 2012 loans from Danish and foreign lending companies to shareholders (individuals) with decisive influence in the company (or to their relatives) are considered as deemed dividends and further, any interest thereon are taxable for the company (a taxable contribution). If the shareholder is employed by the company the amount may



instead be reclassified further salary for him (deductible cost for the company).

### Interest cap rule

An interest cap rule limits the tax deduction of net financial expenses exceeding DKK 21.3 million. Such expenses are tax-deductible only to the extent they exceed a cap calculated on the tax value of the company's assets (calculated according to the rule) multiplied with a standard rate (which is revised annually).

Finally, net financial expenses exceeding DKK 21.3 million cannot reduce the taxable income before interest and tax (EBIT) by more than 80 %. Excess net financial expenses (below the interest cap) are only deductible against future taxable income.

### Transfer pricing

Danish permanent establishments and Danish companies engaged in transactions with a.o. group companies are obliged to report summary information on these transactions in their tax returns. They are also required to prepare and keep written documentation of the prices and terms determined in their transactions. Further, an independent accountant's opinion is required in certain specific situations. Small companies are subject to reduced transfer pricing obligations. A penalty applies if there is no (or insufficient) documentation – a minimum of DKK 250,000 plus 10 % of the further assessed taxable income.

As of 1 January 2016, Denmark has implemented the OECD country-by-country reporting for groups with a turnover of at least EUR 7.5 million (on a consolidated basis).





## Joint taxation

### In general

The principle of joint taxation should not be mixed up with the concept of “filing a consolidated tax return”.

Each separate company in a joint taxation must calculate its taxable income or loss on a “stand alone basis”. This means that there is no elimination of unrealised profits on intercompany transactions, including sales of fixed assets, etc. For joint taxation purposes the taxable income or losses in foreign subsidiaries are calculated on the basis of the Danish tax rules.

The taxable income or loss of each company in the joint taxation is then added up to determine the joint taxable income.

In the determined joint taxable income, net tax losses carry-forwards up to DKK 7,852,500 (2016) in total can be offset against profits in participating companies. Exceeding net tax loss carry forward can only offset up to 60 % of the profits in the other companies. Any net tax loss carry forward in excess thereof must be offset in a subsequent income year provided these companies were all included in the joint taxation at the time of incurring the losses and that the joint taxation has not subsequently been interrupted.

### Compulsory Danish joint taxation

Group companies subject to Danish taxation and Danish permanent establishments of foreign group companies and their real property in Denmark are subject to compulsory national joint taxation in Denmark.



Foreign permanent establishments or real property of Danish group companies and foreign subsidiaries are not included in the compulsory joint taxation (unless comprised by a few specific rules on e.g. CFC income). The definition of a “group company” is similar to the definition in the Danish Financial Statements Act and the International Accounting Standards, and reality overrules formalities when determining “decisive influence”.

The ultimate Danish parent company generally becomes the management company of the jointly taxed group. If no such Danish parent company exists, but only sister companies, one of the sister companies becomes the management company.

The management company must pay the tax on the joint taxable income to the Danish tax authorities.

All group companies are jointly liable for each company’s share of the total tax on the joint taxable income – either principally or alternatively – and on its Danish withholding taxes on dividends, interests and royalties.

All jointly taxed companies must have the same income year as the management company, i.e. in some cases the income year of a new group company may have to be changed. Alternatively, permission may be granted by the Danish tax authorities to change the income year of the management company.

If the group has not yet existed for a full income year, only the income in the period of its existence is included in the joint taxable income. Consequently, if companies enter or leave the group, income tax returns must be prepared covering the period until the companies enter or leave the group.

#### Voluntary international joint taxation

A group may choose to enter into voluntary joint taxation with foreign group companies and foreign permanent establishments and/or real property, respectively. The Danish or foreign ultimate parent company of the group makes the choice.

If voluntary international joint taxation is opted for, all foreign group companies and permanent establishments and real properties must be included in the joint taxation, i.e. foreign entities “below” Denmark (e.g. underlying subsidiaries and their permanent establishments in third countries) as well as foreign entities “above” Denmark (e.g. parent companies and their real property located in third countries).

A single Danish company with e.g. a foreign real property may opt for voluntary international joint taxation with the foreign real property under these rules.

The request for voluntary international joint taxation must be filed with the Danish tax authorities no later than upon submission of the tax return for the first income year, where voluntary international joint taxation is requested.

The choice of voluntary international joint taxation involves a binding period of ten years for the ultimate parent company (however, the joint taxation may be interrupted in a few specific cases). The binding period of ten years is not interrupted by the entering or leaving of other group companies.

If the foreign ultimate parent company is not subject to full or limited Danish tax liability, the ultimate Danish parent company is appointed the management company of the group. If no such Danish company exists, but only Danish sister companies, one of the sister companies is appointed.

The ultimate foreign parent company is jointly liable with all group companies for the tax share of the joint taxable income relating to the foreign entities, but not for the tax share relating to the Danish entities. Furthermore, the above-mentioned rules concerning income year, etc. for the compulsory joint taxation also apply to group companies comprised by the voluntary international taxation.

# Taxation of individuals

## Territoriality and residence

Danish tax legislation distinguishes between full tax-liability for resident individuals and limited tax liability for non-resident individuals. Citizenship does not affect tax liability.

Residents are taxable on their worldwide income and capital gains. Furthermore, residents are liable to pay gift tax.

There are no wealth taxes in Denmark.

Non-residents are taxed only on income and capital gains deriving from sources in Denmark.

## Expatriates with high salaries

Special legislation relates to foreign employees working temporarily in Denmark if they have not been subject to full or limited Danish taxation (on certain incomes) in the previous ten years.

When certain conditions are met, foreign employees may choose to be taxed at a flat rate of 26 % on their gross salary income rather than being subject to the general rules of taxation of individuals (see below). The foreign employees must pay a tax-deductible labour market contribution at a rate of 8 % resulting in a total tax of approx. 32 % on the gross salary income.

Labour market contribution	8 %
Tax, 26 % of 92 %,	23.92 %
<b>Total</b>	<b>31.92 %</b>

The foreign employees must work for Danish employers subject to full Danish taxation or for Danish branches or permanent establishments of foreign companies which may be required to have a legal representative in Denmark.

The 26 % taxation may be chosen for an aggregate period of 60 months.

The employees' averagely monthly salaries in cash and certain fringe benefits must be at least approx. DKK 62,300 (2016) after deduction of Danish social contribution (ATP bidrag).

The tax and the labour market contribution are withheld by the employers as the final settlement of the tax liability.

The salaries taxed at 26 % are not declared in the tax returns of the employees.

Expenses incurred in connection with earning the salary cannot be deducted. A tax loss from another income year cannot be offset against income taxed at 26 %. However, it can be offset against other income.

## General rules for taxation of individuals

### Personal allowances

A deduction from income tax is granted as a personal allowance to each individual. The allowance amounts to DKK 44,000 in 2016.

If a married person cannot utilise the total tax value of the allowance, the balance is transferred to the spouse. Specific rules apply to married individuals subject to limited tax liability only.

### Danish tax computation

Taxable income is based on gross income less deductions. If the tax return covers less than a calendar year, the income is generally annualised in order to reflect the full effect of the graduated system of taxation. The income tax consists of a two-tier state income tax, a flat rate state surtax "health care tax" and a flat rate local income tax.

### State income tax

Income and allowances are divided into three categories:

1. Personal income – e.g. cash salary, director's fee, free company car and free telephone – less pension contributions.



2. Capital income – e.g. net interest income and net capital gains.
3. Share income – e.g. dividend, profit/loss from shares.

Deductions are either included in computing the net income of the above categories or categorized as general deductions when computing the taxable income.

A state tax at the rate of 9.08% (2016) is imposed on the total taxable income exceeding DKK 44,000.

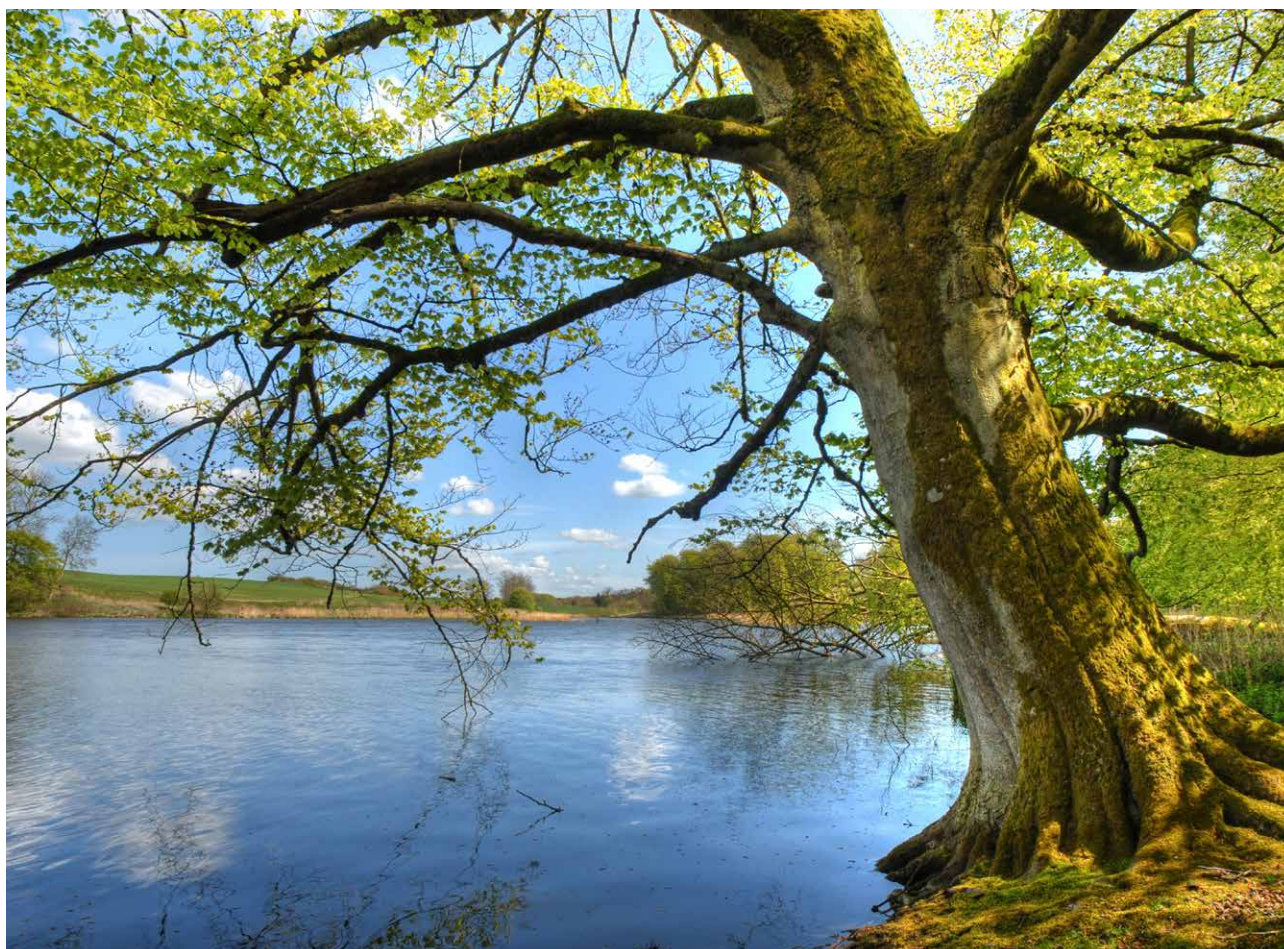
Personal income in excess of DKK 467,300 plus positive net capital income in excess of DKK 41,900 (spouses DKK 83,800) is taxed at a rate of 15 % (2016).

#### **Local income tax**

Church and local taxes are levied at flat rates. The rates are determined each year by the local authorities and vary for the different municipalities. The tax is levied on taxable income exceeding DKK 44,000. The average municipal tax rate is 24.91 % (2016). The average church tax is 0.70 % (2016).

In addition, a health care tax at a flat rate of 3 % (2016) has replaced the former county tax. The tax is imposed on taxable income exceeding DKK 44,000.

The tax rates for non-residents subject to limited tax liability are identical to the state tax rates for resident individuals together with a fixed local tax rate whereby the tax burden is almost identical to the tax burden of residents.



### Deductions

Contributions to Danish social security (ATP), labour market contribution, and to Danish pension schemes are deductible from the personal income as well as certain business expenses. However, deduction for payment to Danish pension schemes can only be made up to DKK 52,400 (2016). Premiums to life insurances are however unlimited.

Interest expenses are deductible from capital income.

Certain transport expenses and alimonies are deductible from the taxable income. An earned income relief for expenses for e.g. allowance for extra costs of living, subscriptions to professional associations and necessary business literature is granted, if the total amount exceeds DKK 5,800 (2016) per year.

Furthermore, a deduction of a maximum of DKK 28,000 in 2016 in the taxable income is granted for employed persons.

### Tax credits

Individuals subject to Danish full tax liability are entitled to claim tax credits and/or tax exemption in respect of income deriving from foreign sources.

### Share income tax

Dividend income and net capital gains on shares are taxed separately and at different flat tax rates: Net share income up to DKK 50,600 (2016) is taxed at a rate of 27 % and any exceeding net share income is taxed with 42 %.

Employers can again offer tax favourable employee share programmes to their employees if the agreement thereon is entered into on 1 July 2016 or later. The tax scheme only applies if certain conditions are met and further, the employers have reporting obligations with respect hereto.

### Inheritance tax

Inheritance from a deceased person, who was resident in Denmark at the time of his/her death, is subject to inheritance tax divided into 2 categories.

The estate tax is a flat rate of 15 % of the value exceeding DKK 276,600 (2016) and is calculated on the basis of the value of the whole estate.

An additional tax of 25 % is levied on the value received by recipients, who were not closely related to the deceased. Thus, the total effective tax rate is 36.25 %.

Certain amounts are exempted from the tax duty, e.g. inheritance and insurance amounts accruing to the spouse of a deceased person.

### Gift tax

Individuals, who are closely related to the donor, can receive gifts without tax, if the cumulative value of all donations for one calendar year does not exceed DKK 61,500 (2016).

A child's or a stepchild's spouse can receive gifts tax-free, if the cumulative value of all donations for one year does not exceed DKK 21,500 (2016).

Gifts to spouses are tax-free.

The gift tax is a flat rate of 15 %, and it is only imposed on the above persons, if the cumulative value of the gifts for one year exceeds the tax-free limits.

There is an additional tax on gifts to stepparents and grandparents, if the cumulative value of the gifts exceeds DKK 61,500 (2016) for one year. The additional tax is calculated at a flat rate of 25 %, resulting in a total effective tax rate of 36.25 %.

Gifts to other relatives or unrelated parties are treated as ordinary income.



# Value-added tax

Denmark applies the system of value-added tax (VAT) established by the EU.

Denmark imposes VAT on imports and taxable deliveries of goods and services – unless specially exempted – at a standard rate of 25 %.

A number of business activities are exempted from VAT. The most important ones are: hospital, medical and dental care, insurance, banking, and certain financial activities.

Entrepreneurs supplying taxable goods or services (including branches or agencies of non-Danish companies) must register for VAT unless the reverse charge mechanism can apply.

Refund of Danish VAT is available for foreign companies not registered for VAT in Denmark. A company which is established outside the EU and carrying out business in Denmark may be required to register for Danish VAT purposes through a resident VAT agent.

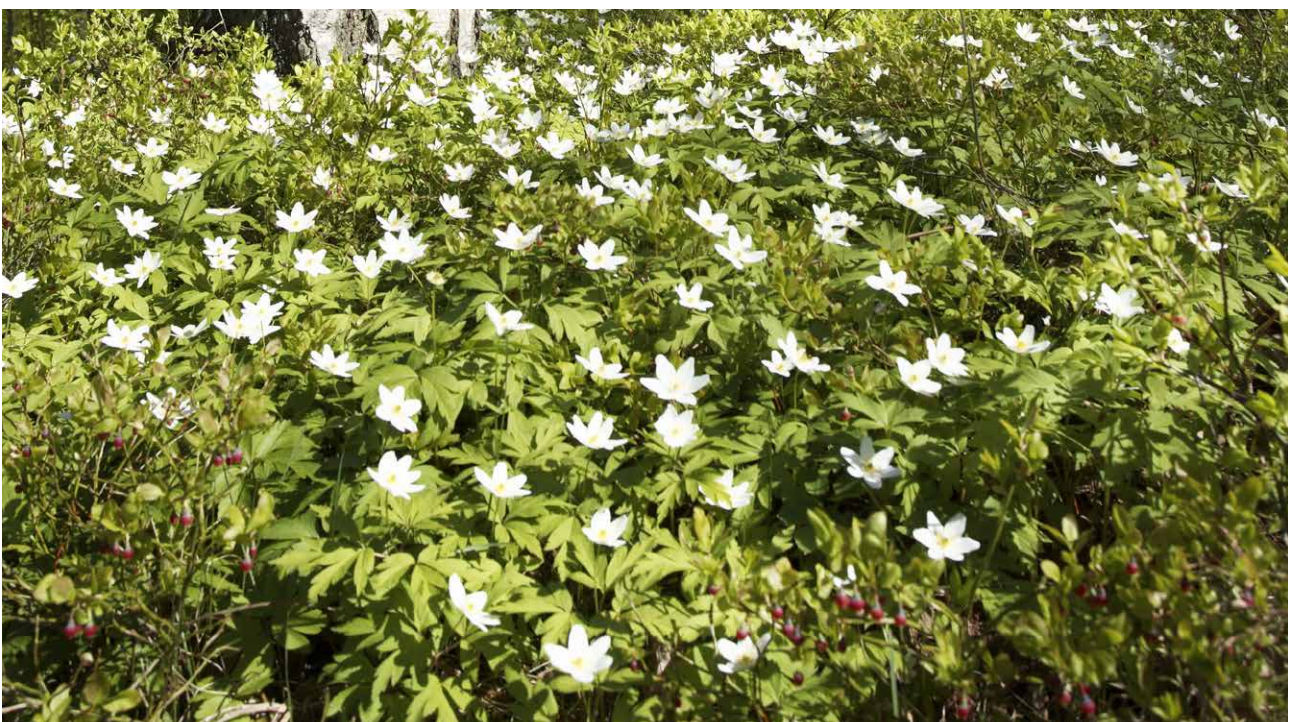
## Distance selling – sale of goods to private customers

Distance selling is when a company/business established and VAT-registered in another EU member state sells goods to private customers in Denmark (e.g. via the internet) and handles the shipment or transportation of the goods (directly or indirectly). Only if such sale exceeds EUR 35,000, the company/business is required to register for VAT in Denmark, charge 25 % Danish VAT on the sales and pay in the VAT to the Danish tax authorities respectively.

However, if the goods sold are subject to certain excise duties (such as alcohol, alcoholic beverages, fabricated tobacco and energy products) the company/business must always register in Denmark and pay in the Danish VAT.

## Specific rule for foreign tourist busses

Due to a change in the Danish VAT Act, foreign bus operators providing tourist transport in Denmark need to register for Danish VAT and pay in VAT in accordance with the general rules of the Danish VAT Act.



# Withholding taxes

Country	Dividend		Royalty	Interest**
	Individuals, companies	Qualifying companies*		
Argentina	10/15 % <sup>a)</sup>	0 %	3/5/10/15 %	12 %
Australia	15 %	0 %	10 %	10 %
Austria	0/15 % <sup>b)</sup>	0 %	0 %	0 %
Bangladesh	10/15 % <sup>b)</sup>	0 %	10 %	10 %
Belarus <sup>q)</sup>	15 %	0 %	0 %	0 %
Belgium	0/15 % <sup>a)</sup>	0 %	0 %	10 %
Brazil	25 %	0 %	15/25 %	15 %
Bulgaria	5/15 % <sup>a)</sup>	0 %	0 %	0 %
Canada	5/15 % <sup>a)</sup>	0 %	0/10 %	10 %
Chile	5/15 % <sup>a)</sup>	0 %	5/10 %	5/15 %
China	5/10 % <sup>a)</sup>	0 %	10 % <sup>c)</sup>	10 %
Croatia	5/10 % <sup>a)</sup>	0 %	10 %	5 %
Cyprus	0/15 % <sup>b)</sup>	0 %	0 %	0 %
Czech Republic	15 %	0 %	10 %	0 %
Egypt	15/20 % <sup>a)</sup>	0 %	20 %	15 %
Estonia	5/15 % <sup>a)</sup>	0 %	5/10 %	10 %
Faroe Island	0/15 % <sup>c)</sup>	0 %	0 %	0 %
Finland	0/15 % <sup>c)</sup>	0 %	0 %	0 %
France <sup>d)</sup>	N/A	0 %	N/A	N/A
Georgia	0/5/10 % <sup>b), e)</sup>	0 %	0 %	0 %
Germany	5/15 % <sup>b)</sup>	0 %	0 %	0 %
Ghana	5/15 % <sup>b)</sup>	0 %	8 %	0 %
Greece	18 %	0 %	5 %	8 %
Greenland	0/15 % <sup>a)</sup>	0 %	10 %	0 %
Hungary	0/15 % <sup>a), b)</sup>	0 %	0 %	0 %
Iceland	0/15 % <sup>c)</sup>	0 %	0 %	0 %
India	15/25 % <sup>a)</sup>	0 %	20 %	10/15 %
Indonesia	10/20 % <sup>a)</sup>	0 %	15 %	10 %
Ireland	0/15 % <sup>a)</sup>	0 %	0 %	0 %
Israel	0/10 <sup>b)</sup>	0 %	0 %	5 %
Italy	0/15 % <sup>a)</sup>	0 %	5 %	10 %
Jamaica	10/15 % <sup>a)</sup>	0 %	10 %	12.5 %
Japan	10/15 % <sup>a)</sup>	0 %	10 %	10 %
Kenya	20/30 % <sup>a)</sup>	0 %	20 %	20 %
Korea rep. (South)	15 %	0 %	10/15 %	15 %
Kuwait <sup>p)</sup>	15 %	0 %	10 %	0 %
Kyrgyzstan <sup>q)</sup>	15 %	0 %	0 %	0 %
Latvia	5/15 % <sup>a)</sup>	0 %	5/10 %	10 %
Lithuania	5/15 % <sup>a)</sup>	0 %	5/10 %	0/10 %

Country	Dividend		Royalty	Interest**
	Individuals, companies	Qualifying companies*		
Luxembourg <sup>h)</sup>	5/15 % <sup>a)</sup>	0 %	0 %	0 %
Macedonia	5/15 % <sup>a)</sup>	0 %	10 %	0 %
Malaysia	0 %	0 %	10 %	25 %
Malta	0/15 % <sup>a)</sup>	0 %	0 %	0 %
Mexico	0/15 % <sup>a)</sup>	0 %	10 %	5/15 %
Montenegro <sup>m)</sup>	5/15 % <sup>a)</sup>	0 %	10 %	0 %
Morocco	10/25 % <sup>a)</sup>	0 %	10 %	10 %
Netherlands	0/15 % <sup>b)</sup>	0 %	0 %	0 %
New Zealand	15 %	0 %	10 %	10 %
Norway	0/15 % <sup>b)</sup>	0 %	0 %	0 %
Pakistan	15 %	0 %	12 %	15 %
The Philippines	10/15 % <sup>a)</sup>	0 %	15 %	10 %
Poland	0/5/15 % <sup>a), i)</sup>	0 %	5 %	5 %
Portugal	0/10 % <sup>f)</sup>	0 %	10 %	10 %
Romania	10/15 % <sup>a)</sup>	0 %	10 %	10 %
Russia	10 %	0 %	0 %	0 %
Serbia	5/15 % <sup>a)</sup>	0 %	10 %	10 %
Singapore	0/5/10 % <sup>a), i)</sup>	0 %	10 %	10 %
Slovak Republic	15 %	0 %	5 %	0 %
Slovenia	5/15 % <sup>a), i)</sup>	0 %	5 %	5 %
South Africa	5/15 % <sup>a)</sup>	0 %	0 %	0 %
Spain <sup>d)</sup>	N/A	0 %	N/A	N/A
Sri Lanka	15 %	0 %	10 %	10 %
Sweden	0/15 % <sup>b)</sup>	0 %	0 %	0 %
Switzerland	0/15 % <sup>b)</sup>	0 %	0 %	0 %
Taipei (Taiwan)	10 %	0 %	10 %	0/10 %
Tanzania	15 %	0 %	20 %	12.5 %
Thailand	10 %	0 %	5/15 %	10/15 %
Trinidad and Tobago	10/20 % <sup>n)</sup>	0 %	15 %	15 %
Tunisia	15 %	0 %	15 %	12 %
Turkey	15/20 % <sup>a)</sup>	0 %	10 %	15 %
Uganda	10/15 % <sup>a)</sup>	0 %	10 %	10 %
Ukraine	5/15 % <sup>a)</sup>	0 %	10 %	0/10 %
United Kingdom	0/15 % <sup>f)</sup>	0 %	0 %	0 %
United States	0/5/15 % <sup>j), b)</sup>	0 %	0 %	0 %
Venezuela	5/15 % <sup>a)</sup>	0 %	5/10 %	0/5 %
Vietnam	5/10/15 % <sup>k), l)</sup>	0 %	5/15 %	10 %
Zambia	15 %	0 %	15 %	0/10 %

- a) Lower rate at 25 % ownership.  
b) Lower rate at 10 % ownership.  
c) Zero rate at 10 % ownership.  
d) The tax treaty has been cancelled.  
e) Zero rate at 50 % ownership.  
f) Zero rate if the EU Parent/Subsidiary Directive applies.  
g) Lower rate at 50 % of the votes.  
h) The treaty does not apply to 1929 Luxembourg holding companies.  
i) 5 % rate if paid to approved entity.  
j) Zero rate at 80 % of the votes.  
k) 5 % at 70 % ownership/an investment of 12 million USD.  
l) 10 % rate between 25 % and 70 % ownership.  
m) The tax treaty with the former Yugoslavia.  
n) 10 % at 25 % of the votes.  
o) of either gross amount or 70% of gross amount.  
p) Zero rate at 25 % ownership for at least one year.  
q) The tax treaty with the former USSR.

- \* [According to domestic rules either a 10 % direct ownership is required or the distributing company must be a group company. A transparency rule may apply].  
\*\* [According to domestic rules withholding tax on interest only applies to interest payments from a controlled Danish company to a foreign company. "Control" is defined as ownership of more than 50 % of the share capital or votes. No withholding tax applies if the foreign company is protected by either the EU Interest/Royalty Directive or a tax treaty with Denmark (reduction/waiver) or if the foreign company is controlled by a Danish company or by another foreign company in a tax treaty country imposing CFC taxation on the received interest or if the receiving foreign company is taxed thereon with at least 3/4 of the Danish corporate tax rate).

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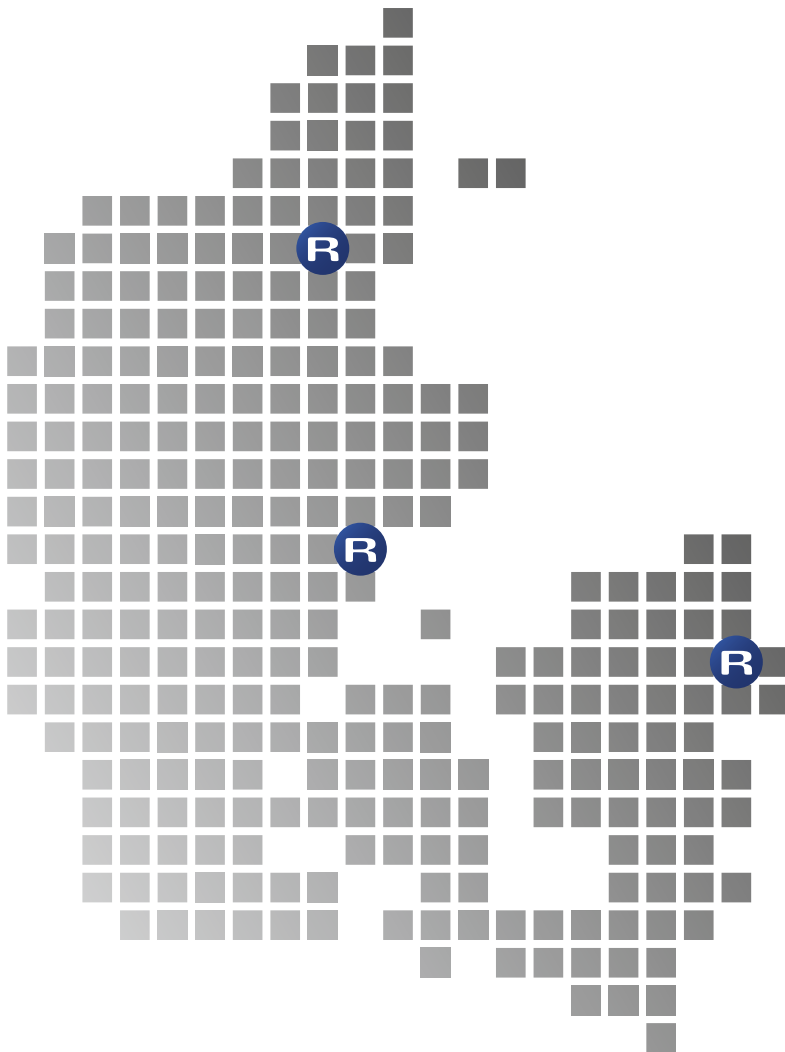
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